



CONCEPT

YOUR 'MANTRA' FOR VALUE CREATION



From the Desk of Fund Manager

January 4 2018.

Dear Sir/Madam,

As we welcome year 2018, I wish you a very Happy New Year and hope that the coming year further strengthens the bond of mutual trust and respect which we have for each other. Firstly, let's have a quick recap of the year 2017. As an investor of Equity markets, nobody can complain about the year gone. One would have to work very hard not to make money in 2017. The year started with the pessimism due to demonetization and then followed by implementation of GST which again had a short term negative impact on the economy. To everyone's surprise the market had a stupendous rise without any deep correction. But since last 3-4 months of 2017, the macro factors, which had been good so far, has started deteriorating like overshooting fiscal deficit, rising inflation, rising crude prices etc. Thus 2018 can be a year of improving Micro conditions (Earnings growth) as the last 2 years belonged to improving macro conditions.



It is generally seen that the stock market rises because of two reasons. Either it is Earnings growth or Price-Earning's (PE) Expansion or both. And 2017 has been a year of PE expansion which simply means that the market is expecting earnings growth to revive in 2018. As the market rises, the margin of safety diminishes resulting into decreasing probability of success ratio in stocks. As a Fund Manager it is becoming a challenge to find new ideas as well as justifying the existing positions at current valuations. We have always maintained a quality portfolio, relieving us from the burden of permanent erosion of capital, even though at times price volatility has brought returns lower. Expectation of equity market returns have to be mellowed down along with the expansion of time horizon. It simply means, **one should expect 12-15% CAGR returns going forward and the time horizon for equity investing should be minimum 5 years instead of 3 years.**

Our flagship portfolios, Legend as well as Marvel has outperformed the benchmark this year. Marvel has been outperforming the index for consistently 5 years. Our low churning



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(turnover) and staying with the good quality companies in tough times has made a big difference. For example, Titan post demonetization went down from Rs.400 to 300 and consensus view was that nobody would buy jewellery as payment is mostly done through cash. To everyone's surprise Titan has been the shining star in our portfolios with a return of 158%. We were of the contrarian view that Titan will emerge as a winner in the segment as they would eat up unorganized market share and that is what had happen last year post demonetization and GST. **Patience plays an important role in investing** and a true example is Rain Industries in Marvel, where the stock price was range bound for more than 14 months after our purchase and finally last year it boomed and gave a whopping 566% return. An important thing to keep in mind is that we have not sold a single share till date as we kept a track of its fundamental performance and believed in its story. This temperament differentiates a mature investor, who has seen a complete market cycle, from an amateur investor. We always believed in cutting the weeds and watering the flowers.

CONCEPT WEALTH PLUS (PMS) PERFORMANCE

PMS Funds	Concept Legend (Inception : 28th July, 2009)	BSE 200 Return	Sensex Return	Concept Marvel (Inception : 12th Oct, 2009)	BSE 200 Return	BSE Midcap Return
Return Since Inception	259.01%	148.40%	122.13%	241.88%	122.86%	179.42%
Annualized	16.37%	11.39%	9.93%	16.12%	10.23%	13.31%
Last 5 Year	19.24%	14.05%	11.88%	22.34%	14.05%	20.17%
Last 3 Year	12.95%	10.92%	7.39%	19.31%	10.92%	19.77%
Last 1 Year	35.11%	33.26%	27.91%	46.84%	33.26%	48.13%

*Returns as on 31st December, 2017 and are post expenses.

*Past performance may or may not be sustained in future.



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We are almost 8.5 years old in managing funds and have delivered a CAGR of 16%, generating a high alpha in both, Legend and Marvel. **Invested amount has multiplied 3.5 times approximately.** Currently, the Research team comprises of 10 people including the Fund Manager. With a common aim of long term return for the investor, the team is fully committed to the task in hand. Another triumph in last year was the call to stay fully invested when many value investors preferred to sit on the huge cash with a belief that market is over-priced. We have never tried to time the market as we feel it is out of our circle of competence. We have an edge in stock selection and portfolio construction and we continue to stick to it.

It gives me an immense pleasure to inform you that we are expanding and have moved our location to accommodate our growth. Our new office is at “10A, Union Heights, Maharana Pratap Road, Dumas Road, Surat-395007”. We shall invite you soon for the inauguration of our new office.

Finally, I would like to congratulate you on keeping faith in Equities and for bagging much higher returns as compared to any other asset classes.

Yours Truly,

Siddharth B. Mandalaywala

Fund Manager